

KATIE PORTER
45TH DISTRICT, CALIFORNIA

FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON
INVESTOR PROTECTION, ENTREPRENEURSHIP, AND
CAPITAL MARKETS
SUBCOMMITTEE ON
CONSUMER PROTECTION AND FINANCIAL SERVICES

Congress of the United States
House of Representatives
Washington, DC 20515-0545

WASHINGTON OFFICE:
1117 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-5611

DISTRICT OFFICE:
2151 MICHELSON DRIVE
SUITE #195
IRVINE, CA 92612
(949) 668-6600
porter.house.gov

March 5, 2019

The Honorable Betsy DeVos
Secretary of Education
U.S. Department of Education
400 Maryland Ave. SW
Washington, D.C. 20202

Dear Secretary DeVos:

I write to request urgent assistance for the students of Western State College of Law in Irvine, California (Western State). Western State is part of Argosy University, a chain currently owned by Dream Center Educational Holdings (DCEH) and subject to a court-appointed receivership ordered by the Department of Education (the Department). Schools operated by Argosy are soon expected to close, as the Department recently eliminated the ability of Argosy campuses to receive Title IV funds and denied a request for Argosy to convert to non-profit status.

DCEH grossly mismanaged Argosy, and the Department perpetuated a long-standing failure to monitor for-profit colleges. Western State students have been left in a panic. Over \$13 million in taxpayer-funded aid for Argosy students has gone missing, resulting in students not having funds to pay for crucial needs like food, rent, and gas.¹ My office has heard heartbreaking stories from students who have worked diligently – sometimes for years – to complete their legal educations.

Some of those students have provided statements to help illuminate the specifics of their struggles. Canon Thomas, Student Bar Association president, said “the lack of financial aid disbursements has affected just about every aspect of our lives. It has affected how we prepare to take the bar exam, how we pay rent, how we feed ourselves, and ultimately caused uncertainty as to whether we can finish the semester.” Ariana Arestegui noted “the ability to finance our education through our financial aid stipends allows us to live and learn with dignity.” And Jonathon Brown “had to decide between going to the library and studying or staying home so I would have enough gas to get to school the next week.”

Given the urgency of this situation, I therefore ask the Department to respond to the following requests no later than March 15, 2019:

- 1) **Extend the Period for a Closed School Discharge:** The Department’s closed school discharge regulation provides that students who withdrew from a failed school within the past 120 days are eligible for debt extinguishment.² I believe that the eligibility period for debt discharge should extend back as far as March 2017, when the sale of Education

¹ Gabriel, Danielle Douglas. “Trump Administration Pulls Federal Student Loan Aid from Argosy University. But Is It Too Little Too Late?” Washington Post, February 27, 2019. Available at:

² 34 CFR 685.214(c); 34 CFR 682.402(d)(8)(ii); and 34 CFR 674.33(g)(ii)

Management Corporation's (EDMC) campuses to DCEH was finalized with the approval of the Department. Clearly the Department should never have consented to that sale, given that DCEH immediately struggled to keep the Argosy University, Art Institutes, South University, and Western State institutions afloat. Given the Department's lack of rigorous oversight regarding the sale of failed for-profit schools from one mismanaged company to another, students who enrolled in the intervening years should not carry forward debt that the Department should have prevented in the first place.

- 2) **Create a Group Discharge Process For Students Who Attended DCEH Schools:** The Department's borrower defense regulations permit the Department to determine that a group of student borrowers are entitled to debt extinguishment.³ In 2015, EDMC entered into a settlement with 39 state attorneys general and the District of Columbia for violating those states' consumer protection laws when recruiting and enrolling students ("2015 EDMC Settlement").⁴ As part of that agreement, EDMC agreed to be overseen by a third party settlement administrator, Thomas J. Perrelli.⁵ When DCEH took over the EDMC schools, it also agreed to comply with the 2015 EDMC Settlement. However, the administrator noted numerous violations of the settlement agreement when DCEH had control of the Argosy University, Art Institute, South University, and Western State College of Law schools.⁶ Specifically, the administrator noted that DCEH stopped providing prospective students with required Gainful Employment disclosures,⁷ provided unclear information about school closings and transfer options,⁸ and failed to inform students about changes in accreditation status.⁹ These violations resulted in material misrepresentations and confusion for scores of students at DCEH schools. I believe that DCEH's failure to follow the 2015 EDMC Settlement should be a basis for the Department to create a group borrower defense discharge for Argosy, Art Institute, South University, and Western State College of Law students who attended the schools from 2017 to the present.
- 3) **Make the Debt Discharge Process as Transparent and Easy as Possible:** The Department should make public all information sent to students educating them about their rights to discharge their debt. Before publication, these disclosures should be subject to readability testing to ensure that the instructions are clear. The Department should also present a plan that ensures that Western State will promptly and appropriately notify all students of their rights and will provide students with their transcripts free of charge. I likewise suggest that the Department create a dedicated hotline for DCEH students and sponsor "Know Your Rights" workshops across Orange County, California to ensure that

³ 34 CFR 685.222(f-h)

⁴ *Kentucky ex rel. Conway v. Educ. Mgmt. Corp.*, Case No. 15-CI-1202 (Ky. Cir. Ct. filed Nov. 16, 2015) available at https://ag.ky.gov/pdf_news/edmc-consent-judgment.pdf.

⁵ *Id.* at 13.

⁶ Third Annual Report of the Settlement Administrator Under the Consent Judgments with Education Management Corporation (EDMC) as Succeeded by Dream Center Education Holdings, Oct 1 2017- Sept. 30, 2018, available at https://static.wixstatic.com/ugd/60a689_17a29c6117724345af1ed98cac2c45e2.pdf;

⁷ *Id.* at 28-30.

⁸ *Id.* at 32-35.

⁹ *Id.* at 42-44.

the students who need assistance in navigating their options can speak to an expert in person.

- 4) **Transfer Options:** Should the Department seek to have students transfer their credits to other law schools, I request that those schools be high-quality institutions with bar passage rates at or above those of Western State. No receiving institutions should be subject to heightened cash monitoring or otherwise be subject to a federal, state, or local law enforcement investigation. I request that the Department collaborate with the appropriate state agencies, including the California Attorney General's office.

The collapse of Western State and its parent company DCEH is the direct result of its owners' gross mismanagement and the Department's failure to provide appropriate oversight. The closure of these campuses is just the latest in a string of for-profit college collapses in recent years – making it all the more frustrating that the Department allowed the situation to deteriorate for as long as it has. I request that you make students whole as quickly as possible and help my constituents move forward in their studies and lives. Again, please respond to these requests no later than March 15, 2019.

Sincerely,

A handwritten signature in blue ink that reads "Katie Porter". The signature is fluid and cursive, with the first name "Katie" and last name "Porter" clearly distinguishable.

Congresswoman Katie Porter